

Congress of the United States
Washington, DC 20515

July 26, 2021

Mr. Steven E. Seitz
Director, Federal Insurance Office
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Seitz:

We write in support of our state-based auto insurance regulatory system, which continues to effectively promote both robust consumer protections and vibrant market competition with rules specifically tailored to local consumer needs and preferences. The auto insurance market is closely regulated by competent state-based regulators who specifically monitor affordability, availability, and market fairness.

As a Federal Insurance Office (FIO) 2017 study made clear, there is no widespread affordability problem in auto insurance. The study found that only 9.2 percent of AP Zip Codes (zip codes in which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons are the majority) had auto insurance affordability index values over 2 percent of household income.

High financial responsibility minimum limits, challenging tort environments, and other local regulatory burdens increase auto insurance costs. As FIO's study found, "[s]tates with a higher number of AP ZIP Codes with an Affordability Index above two percent also appeared to correlate with states having mandatory PIP coverage requirements and states having higher percentages of uninsured drivers." Illustratively, Michigan had a unique insurance regulatory environment that resulted in high rates, entirely unrelated to insurer use of credit-based insurance scores – a practice allowed for in 45 other states with affordable auto insurance. According to a report published by the University of Michigan's Poverty Solutions initiative, Detroit saw average annual auto insurance premiums of \$5,414 in 2018, while average premiums were \$1,616 in Atlanta, \$1,277 in Cleveland, and \$1,345 in Seattle. Nationally, annual premiums averaged \$1,427 during 2018.

Michigan's state legislature and governor came together to address the problem, further demonstrating that the state-based insurance regulatory system is working for consumers. In a bipartisan compromise, the state eliminated its mandate that consumers purchase unlimited personal injury protection (PIP) benefits, which was a requirement unique to the state of Michigan. While Michigan had been the most expensive state in the country in terms of auto insurance premiums for the past seven years, average premiums dropped 27 percent after enactment of the legislation, and the state no longer has the highest auto insurance rates in the nation.

We also seek to highlight the benefits of certain maligned rating factors, the prohibition of which would hurt consumers. Some Members of Congress have argued that so-called non-driving factors should be outlawed, but banning them would reduce underwriting accuracy, forcing safer

drivers to subsidize riskier drivers and making it more difficult for insurers to manage their overall risk pools. Ensuring accuracy is an underwriter's core duty because policies priced too low encourage adverse selection and increase the risk of insolvency, while charging too much allows competitors to steal market share. When assessing individual drivers, collisions and traffic tickets are rare, and insurers are often limited to looking back just a few years – so insurers will often see clean driving and insurance claim records, even for risky drivers. Combining driving records with additional actuarially valid factors is critical.

Despite these benefits, some incorrectly contend that the use of these factors represent proxy discrimination against minorities. The most discussed of these factors, consumer credit history, does not proxy for race or income. Rigorous Federal Trade Commission and academic studies have proven this point. Insurers don't collect data on their applicants' or policyholders' race – and depending upon the jurisdiction, such data collection can be illegal – so ill-advised suggestions that insurers should test their models for disparate impact would trap them in a Catch-22.

As Treasury Secretary Janet Yellen told the Senate Finance Committee in a response to a question for the record related to the development of international regulatory standards, “[i]t is critical that international regulatory standards are designed to serve different markets with diverse structures and needs. When it comes to the U.S., this means respecting our system of market-based insurance provision and state-based insurance regulation.” FIO and Congress, like European regulators, should respect our state-based insurance regulatory framework, especially when it comes to rules affecting consumers. Our state-based insurance regulatory system is working for consumers and the federal government shouldn't preempt state laws with a heavy-handed and ill-considered one-size-fits-all solution in search of a problem.

Sincerely,



Trey Hollingsworth
Member of Congress



William R. Timmons IV
Member of Congress



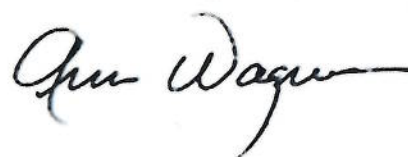
Blaine Luetkemeyer
Member of Congress



Andy Barr
Member of Congress



Bill Huizenga
Member of Congress



Ann Wagner
Member of Congress



Roger Williams
Member of Congress



John Rose
Member of Congress



Lee Zeldin
Member of Congress



Warren Davidson
Member of Congress



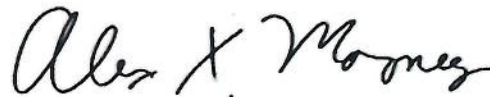
Barry Loudermilk
Member of Congress



Bill Posey
Member of Congress



French Hill
Member of Congress



Alex X. Mooney
Member of Congress



David Kustoff
Member of Congress



Ted Budd
Member of Congress



Bryan Steil
Member of Congress



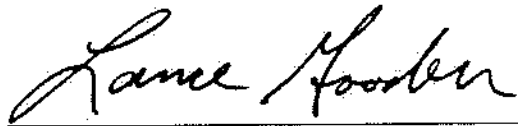
Anthony Gonzalez
Member of Congress



Van Taylor
Member of Congress



Pete Sessions
Member of Congress

A handwritten signature in black ink, reading "Lance Gooden". The signature is fluid and cursive, with the first name "Lance" and last name "Gooden" clearly distinguishable. The signature is positioned above a horizontal line.

Lance Gooden
Member of Congress